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6 February 1945

TO: SAINT, Caserta
FROM: SAINT, DH/140 and DH/001
SUBJECT: C-M Aspects in the Employment of
Certain Hungarian Nationals in
Italy and Central Europe

Aradi, Zolt.

Distribution: Bari
Saint, JJ/001

PK: gh

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C-E Aspects in the Employment of Certain Hungarian
Nationals in Italy and Central Europe

1. Early in November 1944 X-2 Washington expressed concern to SI Washington over the attachment of certain Hungarian nationals, namely, Zsolt ARADI, Gyula MAGYARI, Lazlo KISS and Paul KOVACS, to the Hungarian Desk, SI, Central European Section, Bari.
2. Reportedly, Zsolt ARADI, at that time a member of "the Committee of Free Hungarians in Rome", close associate of Franco MUTOLO and Vitez SZASZ, and before the fall of Rome himself the Hungarian Press Attache at the Vatican, had been recruited by SI-CE for work on the Hungarian Desk sometime early in July 1944. Later, Paul KOVACS, Mgr. Gyula MAGYARI, and Lazlo KISS were recruited for the same purpose.
3. It should be mentioned that in a written memorandum dated 28 August 1944 X-2 Washington made it clear to SI here that according to directives issued by the Director, this branch regarded it the responsibility of X-2 to vet a group of Hungarians considered for employment in certain SI operational plans. It was specifically stated that SI interests required this action and that within the authorization of existing directives, any resultant studies and recommendations would be brought to their attention.
4. At the end of August 1944 the Chief of X-2 Bari, and also the Security Officer at Bari, reportedly gave blanket disapproval of the above-mentioned Hungarian nationals and refused to assume any responsibility for their continued employment.
5. On 22 September 1944 X-2 Bari, upon a renewed request made by SI-CE Bari for X-2 vetting, sent a memorandum to X-2 Caserta and asked for careful vetting of the above-mentioned Hungarian nationals, their associates, and their contacts; and the formulation of authoritative statements concerning their suitability for OSS employment.

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6. On 10 October 1944 X-2 Caserta forwarded to the Chief, X-2 Washington, a situation report together with all pertinent vetting data on the personalities involved. This was accompanied by a memorandum requesting X-2 Washington action.
7. Early in November 1944, after this problem had been given careful consideration and study by X-2 Washington, it was taken up directly with the SI Branch and the Director. A joint "T.S." X-2 SI cable was sent on 7 November to SI-CE Caserta, in which apprehension was expressed about possible intelligence plants by and possible operation leaks to the enemy through the above-mentioned Hungarians and/or their contacts. It was requested that the views of SI-CE Caserta concerning this matter be conveyed to SI Washington.
8. At the end of November a reply to this inquiry was received by SI Washington. X-2 Washington was advised of this at the end of December. On 29 January 1945 at a meeting, attended by several members of this branch and by the Assistant Chief of SI, the contents of the Caserta pouch letter were made known to X-2. Two points were of particular interest and concern to us. First, it was stated that the problem connected with the employment of the above-mentioned Hungarians had been thoroughly discussed with X-2 on about 13 November 1944. SI Caserta reportedly believed that, given the manner in which the persons in question were being used, a satisfactory understanding had been reached with X-2 Caserta. Secondly, SI Washington was advised that the chief concern of X-2 Caserta was no longer the continued employment of these Hungarian nationals as ex-enemy aliens, but rather the linkage of one or two of these Hungarians with the British Intelligence Service.
9. Therefore, SI-CE Caserta requested SI Washington to confer with X-2 Washington and confirm the above, namely that currently X-2's chief concern is not the possibility of any linkage with the enemy but rather the possibility of a linkage with the British.
10. Naturally, we could not confirm the above, nor can we agree with it. Unfortunately X-2 Washington has

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not been kept advised on subsequent developments regarding this problem even though the case had been referred here for action by X-2 Caserta. The executive assistant of X-2, however, stated at this meeting that X-2 Washington continues to apply the general principle that X-2 cannot approve the direct employment or attachment of any ex-enemy alien personnel recruited abroad as members of OSS field or office staffs -- though such aliens, if officing apart and sealed off, under proper control may be used as sources of information.

11. We urge you to advise us immediately in detail concerning the above and action taken by you.

- B. 12. In the meantime we have been apprised of and have become greatly concerned about the following:

- (a) On 12 September 1944 it was reported that a Hungarian courier had left Madrid, apparently for Budapest. A report dated 14 October presumed that courier was either a captive or was dead.
- (b) MAGYARI and KOVACS reportedly were sent on a clandestine mission via Slovakia to Hungary sometime before 23 September 1944. To our knowledge they have not been heard of after their landing in Slovakia sometime in September 1944, and it reportedly is feared by SI-CE Caserta that they have been captured and are dead, or have been turned around by the enemy and may show up later under enemy control.
- (c) Finally, there also should be mentioned the "mission", some eighteen members of which reportedly were recently captured by the Germans and executed somewhere in Slovakia.

13. Your 10 October 1944 memorandum to the Chief, X-2 Washington, states that the Hungarian nationals attached to SI-CE not only circulate freely through the OSS Headquarters there but also "have access to all Hungarian and Czechoslovakian SI files and materials."

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14. We of course are in no position to know whether this situation still prevails. The above, however, raises another point in question, namely, whether any surveillance has been maintained over ARADI. The SI memorandum referred to above suggests that SI-CE is not doing anything in this regard. Could it be possible, however, that there are operational leaks to the enemy from this or any of the other Hungarian sources or their contacts?
15. In view of our responsibilities we are compelled to take cognizance of the following additional facts transmitted to us by X-2 Caserta:
 - (a) LUTTOR, SZASZ, and ARADI are close associates.
 - (b) ARADI is the ex-Press Attache at the Hungarian Legation to the Vatican.
 - (c) LUTTOR resides at the Vatican and is the pro-Nazi Hungarian Minister to the Vatican since APOR repudiated the SZTOJAY Government. In the Vatican -- in all probability -- there are available to him channels of communications with the enemy. Finally, LUTTOR was seen in Rome in the company of ARADI early in October 1944.
 - (d) SZASZ is director of the Hungarian Legation to the Quirinal, now under Swedish protection. SZASZ has neither resigned nor been dismissed by HORTHY or the SZTOJAY Government, was reported, however, to maintain contacts with APOR and ARADI.
16. The fact that some of our people were apprehended by the enemy in Slovakia might not necessarily be due to "leaks"; nevertheless, it is an interesting and perhaps significant coincidence on which we would like to have your views. We realize full well that some of the points raised in this memorandum approach speculation, but they are based on information transmitted to us as facts, which to us have never been explained away or denied.

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- C. 17. In order that in the future we may have a clear statement of your views concerning such problems as the above, it is essential that such matters be communicated directly to X-2 Washington. It is difficult for us here to advise SI Headquarters unless our field staff communicates with us directly and keeps us en courant concerning X-2 vetting matters originally referred to Washington. X-2 matters brought to our attention through non-X-2 channels -- i.e. through the medium of another branch -- do not always reach us on time or are available to us in a form which will enable us to properly discharge our X-2 responsibilities. Due to factors not always under our control -- or necessarily the control of the branches concerned -- we have had little success in our attempts to get in Washington pertinent operational facts having a bearing on X-2 problems in your area.

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